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# AICPA *Washington Report*

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## COMMODITY FUTURES TRADING COMMISSION

Legislation (S.2391) to extend the authorization of the Commission for four years has been approved by a House-Senate conference committee. The bill would ban the sale of most commodity options to the general public until CFTC has developed an effective regulatory program. "Trade options" and, to a limited extent, "dealer options" would be permitted unless later banned by the agency. The legislation would also clarify the role of states in the enforcement of commodity trading controls. Other provisions of the bill include granting the Commission the power to adopt a plan charging "reasonable" user fees to cover the cost of regulating transactions, and a one-year prohibition against the transaction of business on behalf of an outside party by a former Commission member or policy-making staff employee.

## FEDERAL DEPOSIT INSURANCE CORPORATION

John G. Heimann, Comptroller of the Currency, has assumed the position of Acting Chairman of the FDIC. He succeeds George A. LeMaistre, who resigned earlier this month. Under the provisions of the Federal Deposit Insurance Act, the Comptroller of the Currency is a member of the FDIC Board of Directors and shall act as Chairman in the event of a vacancy in that office.

## GENERAL SERVICES ADMINISTRATION

The 1978-79 edition of the United States Government Manual, the official handbook of the Federal government, has been published. The Manual includes information on the legislative, judicial, and executive branches, quasi-official agencies, international organizations and boards, committees and commissions. And, for those interested in where to go and who to see about particular subjects, the manual provides a "guide to government information" section; a reference to the Federal Register or Code of Federal Regulations, in which an agency's statement of organization appears; and comprehensive name, subject and agency indexes. Copies of the Manual are available from the GPO for \$6.50 each.

## HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Final regulations on the Public Health Service grants for training U.S. citizens who attend foreign medical schools were published in the 8/18/78 Fed. Reg., pp.36630-34. The regulations contain a requirement for an annual audit of the grantee's books, financial records, files, and other papers and property. There is also a requirement that the audit "be conducted by and certified to be accurate by an independent CPA utilizing GAAS." These regulations became effective on 8/18/78.

## INTERSTATE COMMERCE COMMISSION

A final decision on accounting for prior period adjustments appeared in the 8/23/78 Fed. Reg., pp.37455-57. This decision will place the Commission's uniform system of accounts in accordance with GAAP by adopting the provisions of Financial Accounting Standards Board Statement No. 16, "Prior Period Adjustments." These rules are effective as of 1/1/78. For further information contact Bryan Brown, Jr., at 202/275-7448.

## LABOR, DEPARTMENT OF

An intensive campaign underway since January to recover delinquent 1975 annual report forms required under ERISA (see 2/13/78 Wash. Report) has netted the

Department hundreds of replies. The first phase of the campaign was the identification of some 2,000 plans delinquent in the filing of their 1975 Form 5500 annual reports. By the end of July, all but approximately 200 plans had responded to the delinquency notices. Final notices are being sent this month to the remaining delinquent plans, and those who do not respond will be referred for enforcement action.

The Department has proposed regulations to simplify the summary annual report (SAR) for employee benefit plans (see the 8/25/78 Fed. Reg., pp.38032-35). The chief purpose of the SAR is to inform participants and beneficiaries of the financial status of their plans. Under the proposed regulations, plan administrators would no longer be required to attach copies of financial statements and accompanying notes to the SAR, and would not be required to include names and addresses of plan officials already disclosed in the summary plan description. In general, the SAR would still be due to participants and beneficiaries nine months after the end of the plan year, and existing exemptions from furnishing SARs would be continued for certain plans. DOL is soliciting comments on whether the regulations should be made available for 1977 plan years. This would affect only those plans not required to distribute the SAR by the time the final regulations are approved. The proposed regulations should become effective for 1978 plan years.

#### OFFICE OF MANAGEMENT AND BUDGET

Final guidance for implementing the Federal Grant and Cooperative Agreement Act of 1977 was published in the 8/18/78 Fed. Reg., pp.36860-65. The Act requires that Federal agencies use procurement contracts to acquire property, and grants to transfer money, property or services to recipients to accomplish a Federal purpose. The publication summarizes OMB's interpretation of the Act and provides specific guidelines for its administration. For additional information, contact Thomas L. Hadd at 202/395-5156.

A proposed revision that would replace OMB Circular A-76 appeared in the 8/22/78 Fed. Reg., pp.37410-15. The revision would reaffirm the general policy of reliance on the private sector for goods and services while recognizing that governmental functions must be performed by government personnel and proper attention is given to cost. According to the proposal, this policy is built on three equally valid precepts: reliance on the private sector; retention of certain in-house functions; and cost comparison. Included among the examples of commercial and industrial activities are financial auditing and services and management auditing. Additional information may be obtained by contacting William D. Russell at 202/395-3327.

#### SECURITIES AND EXCHANGE COMMISSION

Staff Accounting Bulletin, No.22 interpretations on limited partnerships organized to engage in speculative trading in commodities futures contracts, has been published (see the 8/21/78 Fed. Reg., pp.36900-1). SAB 22 provides staff advice on certain aspects of accounting for organization and offering expenses and selling commissions of these limited partnerships. In such cases, the commodity broker or a subsidiary typically assumes the liability for all or part of the organization and offering expenses and for the commissions connected with the sale of partnership interests. For more information on SAB 22, contact Lawrence Bloch at 202/472-3782.

Auditors may soon be involved in preparing management reports on a corporation's internal control system, according to SEC Chairman Harold M. Williams. In a speech given on 8/22/78 entitled "The Changing World of the Accountant: Where the Next Steps Lead", Chairman Williams stated that the internal control issue "is something to which the Commission will give serious attention in the relatively near future." On the matter of auditor independence, Chairman Williams reiterated his belief that independent audit committees be established as a condition to an independent accountant's accepting an audit engagement.

Staff recommendations concerning financial accounting and reporting for oil and gas producing activities will be considered by the Commission at an open meeting scheduled for 10 a.m. on 8/29/78. The Commission has been engaged in rulemaking activities regarding oil and gas accounting under general authority of the securities laws and pursuant to provisions of the Energy Policy and Conservation Act of 1975. The Commission solicited public comment on this matter in 1977 and 1978 and held public hearings in Washington and Houston this past spring. The meeting is scheduled to be held in Room 825 at the SEC, 500 N. Capitol Street. For more information contact Greta Powers at 202/472-3782.

New rules for bank holding companies that would establish a comprehensive set of requirements for financial statements included in annual reports filed with the Commission will be considered at an open meeting to be held at 10 a.m. on 8/31/78. For further information on these rules, contact Lawrence Block at 202/472-3782.

An advance notice of a proposed rulemaking to revise the annual report form has been published by the Commission (Rel. 34-1568, see the 8/23/78 Fed. Reg., pp.37460-67). The Commission is requesting comments on Part I of the present annual report form, 10-K, filed by most publicly owned companies and on the substantially revised annual report format recommended by the Advisory Committee on Corporate Disclosure. Comments, which are due before 12/15/78, will be considered in connection with proposed amendments to form 10-K in the future. For more information, contact William Carter at 202/376-8090 or Mauri Osherhoff at 202/376-2378.

#### TREASURY, DEPARTMENT OF

Proposed regulations on the amount payable to a delinquent taxpayer which is exempt from a levy for the collection of unpaid tax appeared in the 8/24/78 Fed. Reg., pp.37717-20. Changes in the law were made by the Tax Reform Act of 1976. These regulations principally affect employees whose wages or salary are the subject to levy and employers who must comply with the levy. Comments on the regulations are due by 10/23/78. For more information contact Kyllikki Kusma at 202/566-3287.

A proposed simplification of Form 940, Employer's Annual Federal Unemployment Tax Return, for 1979 appeared in the 8/25/78 Fed. Reg., p.38150. Under the proposal a majority of employers will not have to complete the tentative credit part of the return and will have a simplified tax computation. The IRS announced the new form in IR-2031 and requests that written comments and suggestions on the proposed revision be sent to the Chairman, Tax Forms Coordinating Committees, IRS, Room 5577, 1111 Constitution Avenue, N.W., Washington, D.C. 20224 by 11/2/78.

"High Income Tax Returns - 1975 and 1976", the second annual report on high income taxpayers, has been issued by the Treasury Department Office of Tax Analysis.



Mandated by the Tax Reform Act of 1976, the report highlights the fact that changes in the tax law have been "extraordinarily successful" in reducing the number of high-income nontaxable income tax returns. A decline of 92 percent in the number of "nontaxables" was reported from 1975 to 1976. The report also notes that despite the decline in the number of high income nontaxable returns there is still a significant number of high income taxpayers who, while paying some tax, fail to pay a fair share of the tax burden. Copies of the report are available from the Office of Tax Analysis, Treasury Department, Washington, D.C. 20020, 202/566-2041.

Several miscellaneous tax bills were approved by the Senate on 8/23/78. Among the bills passed was H.R.7320, a bill to revise miscellaneous timing requirements and minor revenue matters. The bill, which was sponsored by the AICPA Federal Tax Division, was previously passed by the House and now goes to the White House for Presidential approval. In an effort to bypass the stalled energy tax conference, the Senate gave approval to tax credits for home-owners who install insulation or other energy saving devices. The \$400 tax credit has been agreed to in the energy tax conference but has been held up by other controversial portions of the legislation. Senate supporters hope that this latest action can pave the way for agreement on this part of the energy tax package.

Proposed guidelines to determine whether private schools have racially discriminatory policies as to students and thus would not be tax exempt have been published by the IRS (see the 8/22/78 Fed. Reg., pp.37296-98, IR-2027). Schools which have been held by a court or agency to be discriminatory or which had an insignificant number of minority students will be ineligible for section 501 tax exemptions unless the schools can show they now have increased minority enrollment or that they operated in good faith on a nondiscriminatory basis. Comments on the proposed guidelines are due by 10/23/78.

For those interested, the advance proof copies of IRS Forms 1040A and 1040 for 1978 and schedules A&B, C, E, F, G, R/RP, SE, and TC and 1040 instructions have been released. IRS notes that they are subject to change before being released for printing (late September, early October). Also, IRS notes that the instructions are not as current as the form or schedule covered. Comments on "technical problems" can be made by calling 202/566-3834.

Proposed regulations relating to the taxation of income of foreign governments have been issued (8/15/78 Fed. Reg., pp.36111-14). They provide guidance for taxing foreign sovereigns on their income from "commercial activities" within the U.S. "Passive" income in the form of interest on dividends on investments in the U.S., for instance, would remain exempt. For more information, contact Anthony Bonanno at 202/566-3829.

#### SPECIAL: CONTRACTING PROVISION IN D.C. AUDIT BILL AMENDED

Legislation has passed the Senate modifying the contracting procedures for engaging CPAs for contracts involving the audit of the District of Columbia. The original legislation (P.L. 94-399) provided for the use of fixed price contracts for specific projects in connection with this audit. The Temporary Commission on Financial Oversight of the District of Columbia, which was established to develop and implement improvements in the system, has found that CPA firms are becoming reluctant to bid on projects because of the risk and uncertainties involved in the work and recommended that the original language of the law be broadened to permit more flexibility in the contracting for CPA services by permitting other forms of contracting, such as cost-plus-fixed-fee under

certain circumstances. S.3120 includes such an amendment and H.R.13548, pending in the House, contains a similar provision. A more complete explanation of the change appears in the 8/14/79 Cong. Record, pp.S12558-59.

SPECIAL: WHITE HOUSE FELLOWSHIP PROGRAM APPLICATIONS AVAILABLE

The White House has announced that applications are now available for the White House Fellowship Program for 1979-80. The program is open to all U.S. citizens, except those in federal positions. Each Fellow works for a Cabinet officer or senior member of the White House staff, and participates in a program including seminars with top government officials, leading scholars and journalists who deal with national government. Application forms and additional information may be obtained by sending a postcard to the President's Commission on White House Fellowships, Washington, D.C. 20415.

For additional information contact:  
Steven Woolf or Susan Retter  
202/872-8190

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